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Towards global partnerships

Enhanced cooperation between the United Nations and all relevant partners, in particular the private sector

Report of the Secretary-General

Summary

The United Nations has made considerable progress in achieving organizational and development goals through partnerships with the private sector. In its resolution 66/223, the General Assembly made a number of recommendations for taking advantage of the unique position of the United Nations for fostering new forms of collaboration with the private sector and for overcoming key operational challenges. Progress on implementing those recommendations has contributed to a more strategic approach to engaging with business partners and the design of more innovative, effective and impactful partnerships. At the same time, emerging trends are driving new partnership developments within the United Nations and setting the stage for progress to come. Moreover, the United Nations is becoming more adept at managing the risks of partnering with the private sector, both by improving due diligence and integrity measures and by leveraging its reputation and normative strength for aligning the business community with the values of the United Nations. In addition, the growth and evolution of the Global Compact and its Local Networks are creating new opportunities for engaging with the private sector at the country level. To ensure that the United Nations continues to build on this progress, a number of challenges must be addressed. The recommendations presented herein should be implemented to ensure more effective collaboration with the private sector, while respecting the normative standards of the United Nations and its Member States.

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I. Introduction

1. The present report is submitted in compliance with General Assembly resolution 66/223, in which the Assembly requested the Secretary-General to submit a report at its sixty-eighth session on specific progress on integrity measures, on the implementation of the revised United Nations Guidelines for Cooperation between the United Nations and the Business Sector and on the strengthening of the Global Compact Local Networks. The report builds on previous reports of the Secretary-General on cooperation between the United Nations and relevant partners (A/56/323, A/58/227, A/60/214, A/62/341, A/64/337 and A/66/320).[1]

2. The United Nations is uniquely positioned to act as a facilitator and leader in moving forward with innovative forms of collaboration with the private sector. The United Nations has been building on its foundational spirit of cooperation over the past decades by acting as a bridge-builder to various sectors and challenging them, in particular the private sector, to help to solve some of the world's most pressing problems. With renewed emphasis on partnership in the course of the discussions on a new development framework following the Millennium Development Goals, this role will become increasingly important in the years to come.

3. In this respect, the United Nations has made progress in a number of important areas. At the system level, the United Nations has garnered high-level support within the Organization and among private sector leaders for more effective collaboration; developed and shared information on partnership tools; and provided leadership in generating business commitments for helping to solve development problems. Some agencies, funds and programmes are becoming increasingly acute at tailoring private sector partnership models for achieving specific goals and scaling up successful efforts for achieving their missions. New trends, such as converging United Nations-business interests, exploring innovations in partnership models and technology, engaging with new partners in growing economies and the synchronizing of global and local goals and partnership models, are emerging and set the stage for improved means of collaborating with the private sector.

4. The United Nations is becoming more adept at leveraging its normative strength, universality and impartiality vis-à-vis the private sector and, at the same time, protecting this reputation by taking steps to improve integrity measures. Many agencies, funds and programmes have built on the revised Secretary-General's Guidelines on Cooperation between the United Nations and the Business Sector by designing strategies for partnership selection and screening that match the needs and values of their organization. Many also use a shared due diligence service provider to screen potential partners. Moreover, more internal exchange is occurring on best practices regarding due diligence and new tools have been developed.

5. In addition, through the growth in the number and size of Global Compact Local Networks, now found in more than 100 countries, the 10 principles of the Global Compact and the values of the United Nations are influencing the private sector at the country level. In addition to acting as hubs for learning, dialogue and

[1] The present report draws on several sources: an online survey of 24 United Nations agencies, funds and programmes; in-depth interviews with staff members throughout the United Nations system (16) and within Global Compact Local Networks (11); meetings of United Nations system private sector focal points; the annual Local Networks Forum; case studies; and a thorough review of the relevant academic literature on the subjects.

knowledge-sharing, the Local Networks are increasingly taking on other roles, including that of provoking national policy dialogue on issues such as corporate responsibility, acting as conveners for gathering input from businesses on a post-2015 development framework and facilitating new partnerships between the United Nations and the private sector.

6. Progress and encouraging trends notwithstanding, new and existing operational challenges need to be addressed. Moreover, as partnerships with the private sector become more widespread and significant, it is essential that the United Nations put in place and improve existing integrity measures at all main interfaces with the private sector to protect its brand and reputation, promote responsible business practices and United Nations values and achieve greater coherence between the agendas of the United Nations and businesses. Lastly, with their unique and growing role at the country level for fostering new relationships between the United Nations and the private sector, it is necessary to assess the progress of and challenges for Global Compact Local Networks.

II. Private sector partnership progress, trends and challenges throughout the United Nations system

A. Progress at the system level

7. The United Nations has taken important steps to more actively involve the private sector in the work of the Organization. In 2012, the Secretary-General released his five-year action plan, intent on harnessing the full power of partnership throughout all United Nations activities. This includes the need to scale up capacity to engage in transformative multi-stakeholder partnerships across a broad range of issue areas.

8. The Secretary-General has put forward a proposal to Member States to establish a new United Nations partnership facility to further support the United Nations system and Member States to leverage catalytic partnerships with the full range of partners, including civil society, businesses, financial institutions, philanthropic organizations and academic and scientific institutions. The new partnership facility's core task will be to capture the potential for partnership in delivering at scale, at the global and country levels, on the full spectrum of the United Nations mandates, goals and values. The facility will do so by providing services as requested collectively by the heads of the agencies, funds, programmes and departments of the United Nations system: ensure accountability, integrity and transparency; provide common partnership support services; create a partnership focal point network; and support and backstop multi-stakeholder initiatives.

9. Several events have helped to advance United Nations priorities among the private sector. First, a corporate sustainability forum was held on the sidelines of the United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil, in June 2012, which included some 2,700 stakeholders. The event strengthened the business contribution to sustainable development through more than 200 commitments to action by companies and provided the private sector with a voice in the process for generating recommendations for a post-2015 development framework. In addition, the Secretary-General launched the Sustainable Energy for All initiative, bringing in more than 100 commitments from Governments,

businesses and investors aimed at achieving the initiative's three goals. Lastly, the Department of Economic and Social Affairs of the Secretariat organized a partnerships forum at the event to identify and showcase dedicated partnerships implementing priority actions agreed upon in Rio de Janeiro.

10. The Global Compact Leaders Summit, to be held in September 2013 in New York, is expected to bring together more than 1,000 leaders from businesses, Governments and civil society to advance business action in support of United Nations goals. With business leaders hailing from more than 100 countries expected to attend, the Summit will unveil a global architecture for aligning business with global development priorities linked to the Millennium Development Goals and beginning a process of engaging companies and key stakeholders to 2015 and beyond. As part of the Summit, the United Nations Private Sector Forum: Africa will be organized to bring private sector and government leaders together on the unique opportunities and challenges in Africa, with a number of commitments to action expected to be made by businesses.

11. The annual meeting of United Nations system private sector focal points remains an important forum for United Nations staff working on partnerships with the private sector to exchange best practices, lessons learned and partnership innovations. In 2013, the meeting included Global Compact Local Networks in order to create synergies between United Nations agencies, funds and programmes and the Networks in creating partnerships at the local level. In response to requests from United Nations staff for more frequent interactions, a United Nations private sector focal points network has been formalized. Its goals include promoting greater coherence and capacity-building within the Organization on activities involving businesses and disseminating innovations in engagement throughout the system.

12. The Global Compact has continued to develop tools for sharing private sector partnership knowledge. The quarterly UN-Business Focal Point e-newsletter provides United Nations staff with information on new partnerships and useful tools. "UN-Business Partnerships: A Handbook" was developed with input from throughout the Organization. It provides practical guidance for practitioners on designing and implementing more effective partnerships with the private sector and helps corporate representatives to better understand their partners in the United Nations. In addition, a Global Compact business partnership hub was launched. It provides an online, interactive platform to match businesses with potential partners in order to facilitate collective action on key global issues, with a focus on climate and energy, water, anti-corruption, social enterprise and United Nations-business partnerships.

13. Lastly, the Global Compact LEAD Task Force on United Nations-Business Partnerships, created in 2011, produced two new reports, respectively entitled "Catalysing transformational partnerships between the United Nations and business" and "Partnership fundamentals: A 10-step guide for creating effective UN-Business partnerships". The reports provide guidance on creating more effective partnerships and taking these collaborations to scale and driving transformative impact. The Task Force also is working on improving due diligence, partnerships life cycle management, knowledge management and capacity-building.

B. Progress and trends at the level of agencies, funds and programmes

14. Among practitioners in the United Nations, there is an optimistic view that the importance of partnerships with the private sector will continue to grow. Business acts as an engine for development, contributes resources and skills for addressing complex global challenges and promotes innovation that can help to optimize United Nations work, in particular at the local level. Many new trends are helping to drive the creation of more innovative and effective forms of collaboration.

1. Converging interests of the United Nations and businesses

15. An increasing convergence of interest between the United Nations and businesses for solving social, environmental and ethical issues is creating new opportunities for cooperation. Private sector thinking has evolved as more companies around the world are making sustainability an integral part of business strategies and operations and no longer viewing it as a philanthropic or marketing activity. Consequently, a growing number of companies are looking to the United Nations for normative guidance and partnership opportunities. Businesses also increasingly desire a greater role in partnership design and decision-making in order to advance impact-driven approaches towards their corporate responsibility collaborations.

16. At the same time, agencies, funds and programmes, with support from Member States, are learning to better leverage the strengths of the United Nations in relation to the private sector, including the Organization's unique values and principles, normative legitimacy, universality and impartiality. Increasingly, the Organization is engaging with the private sector through the key values of respect and support. "Respect" means to do no harm and to abide by international minimum standards. The value confers upon the United Nations a standard-setting role that no other actor can play, underpinning efforts to strengthen the rule of law and realize humanity's shared aspiration to live in peace and dignity. "Support" defines the opportunities for action, collaboration and engagement beyond the avoidance of harm.

17. These developments contribute to the evolution of engagements between the United Nations and its business partners towards deeper, longer-term strategic engagements that better leverage the strengths of both partners towards achieving United Nations goals.

2. Fostering innovation and leveraging technology for achieving development goals

18. To achieve higher levels of impact and scale, many agencies, funds and programmes are working with business partners to design innovative partnership models and approaches. For example, the United Nations Children's Fund (UNICEF) has developed a global network of innovation labs that stimulate and facilitate the adoption of innovative approaches throughout UNICEF.

Box 1
Office of the United Nations High Commissioner for Refugees

"UNHCR Innovation" is an interdepartmental initiative aimed at creating more effective and creative solutions to the challenges that refugees face worldwide. The initiative rethinks how the Office of the United Nations High Commissioner for Refugees (UNHCR) works, how it involves refugees in the design of programmes and how it looks at good practices in the humanitarian and private sector world. The strategy is to amplify innovations already under way within UNHCR; connect like-minded innovators (known as "iFellows") to time and resources; and explore innovative practices outside UNHCR. Once challenges are identified by field operations, the initiative works towards solutions through a process of internal and external consultation, which are then tested and refined before being scaled up. The UNHCR Innovation Circle (iCircle) — a fluid group of experts from non-governmental organizations, foundations, academic institutions and the private sector — provides guidance and identifies funding sources for incubating new ideas and projects. An example of the initiative's work is the development of a portable bar code reading device, together with a global package delivery company, which tracks non-food item distributions to individuals and links to the UNHCR ProGres refugee database.

19. Agencies, funds and programmes are also exploring innovative financing models. The Joint United Nations Programme on HIV/AIDS, for example, has formed a new private investment fund, together with an international financial services group, for investing in companies that improve AIDS response. New partnership models are also being developed, including umbrella programmes under which a successful partnership model is replicated to achieve wider impact and scalability, such as the Sustainable Supplier Development Programme of the United Nations Industrial Development Organization.

20. New technologies are another avenue for promoting innovation and supporting advocacy efforts. The "m-Health" partnership between the International Telecommunication Union, the World Health Organization and other partners, including the private sector, leverages each partner's expertise and uses text messaging and mobile applications to help to combat non-communicable diseases such as diabetes. In addition, the Executive Office of the Secretary-General launched the Global Pulse initiative. Developed together with partners from the private sector, Global Pulse demonstrates how digital data sources and real-time analytics technologies can help policymakers to understand human well-being and emerging vulnerabilities in real time.

3. Engaging with new business partners in dynamic and growing economies

21. Agencies, funds and programmes are increasingly engaging with companies in growing economies such as Brazil, China, India, the Russian Federation and Turkey. In addition to diversifying partnership portfolios, engagement with companies in dynamic, growing economies can unleash programmatic and partnership innovation.

Companies in these countries are also realizing the value of engaging with the United Nations.

Box 2
Istanbul International Center for Private Sector in Development

The United Nations Development Programme (UNDP), in collaboration with the Government of Turkey, established the UNDP Istanbul International Center for Private Sector in Development in March 2011. It builds on the country's convening power and dynamic private sector, in addition to the UNDP global mandate to promote market-based solutions to development challenges. It pursues a number of objectives, including that of supporting the development of inclusive and competitive markets and business models; fostering private sector engagement and advocacy around development targets; promoting access to enterprise-related finance; and convening businesses and other actors to expand dialogue and create partnerships. For example, in 2012, it began coordinating an effort for the first private sector development and engagement strategy to be implemented in Somalia, which promotes a series of inclusive business models and value chains that can reduce poverty and accelerate economic recovery.

4. Synchronizing global initiatives with bottom-up approaches

22. According to the 2012 annual survey of companies participating in the Global Compact, 89 per cent of those engaging in partnerships have done so at the local level. This finding emphasizes the considerable opportunities for the United Nations to engage with companies at the country level.

23. Many agencies, funds and programmes are applying and replicating successful partnerships with global partners to local contexts for increasing impact and scale. Global initiatives set up by the Secretary-General, including Every Woman Every Child, Sustainable Energy for All and Global Education First, and Global Compact issue platforms, such as the CEO Water Mandate, Caring for Climate, the Women's Empowerment Principles and the Children's Rights and Business Principles, serve as umbrella frameworks for new local partnerships.

24. At the same time, partnerships between the United Nations and companies at the local level are playing key roles in making progress towards the achievement of development goals. For example, the new partnership strategy of the Food and Agriculture Organization of the United Nations stresses both the value of partnerships with smallholder farmers to improve agricultural practices and promote technology transfer, and the need for broader collaboration targeting the entire market system. These parallel top-down and bottom-up approaches are mutually reinforcing and are aimed at working towards a coherent approach for realizing the scale and impact needed for achieving development goals.

C. Overcoming operational challenges for United Nations-business partnerships

25. Within agencies, funds and programmes, there has been considerable progress in overcoming the operational challenges detailed in previous reports. Nevertheless, important hurdles remain in creating more impactful partnerships with the private sector.

1. Creating an enabling environment for more effective and efficient partnerships with the private sector

26. Many agencies, funds and programmes have created strategic frameworks for designing and implementing more effective partnerships with the private sector, based on experience and more mature thinking regarding the value of partnerships. For example, in 2012 the International Fund for Agricultural Development launched a new partnership strategy to support the achievement of their strategic priorities, while UNICEF updated an existing strategic framework to reflect lessons learned over the past years, for example by framing the contribution of partnerships to results and investing strategically in multi-stakeholder approaches.

27. Nevertheless, the most cited hurdles for more effective partnerships remain resources, time and staff constraints, lack of partnership skills within the Organization, bureaucratic requirements and mixed support from senior management. While the global drive towards more accountability and transparency is positive, ensuring results-based programming is challenging. Agencies, funds and programmes report that they are struggling to respond to growing expectations on the part of companies for more strategic, long-term engagements, and partnership practitioners face steep learning curves when dealing with innovative models, such as cause-related marketing, new social or hybrid business models, or innovative financing schemes, such as impact investing.

28. As agencies, funds and programmes operate with reduced operational budgets, optimizing partnership activities with the private sector is necessary in order to do more with less. This requires critical assessment of the costs and benefits of partnership activities, and consideration of implementing fewer, but more strategic and impactful partnerships. United Nations entities should also consider designing and implementing partnerships that build on and coordinate with existing government initiatives to achieve greater impact and scale.

29. The Organization should aim to coordinate partnership activities to avoid duplication and take advantage of complementary mandates, expertise and operational capacity. For example, by focusing the goals of partnership activities on achieving development outcomes instead of organizational outcomes, such as budget support, agencies, funds and programmes can more effectively identify where internal competencies exist and where partnerships with the private sector can add value.

30. While some agencies, funds and programmes have hired more staff with private sector experience, there remain areas for improvement. For example, further efforts are needed to optimize internal processes for partnership approval that maintain high standards of due diligence, but reduce transaction costs. The Organization could better utilize the business.un.org website to profile partnership needs and develop more proactive strategies for pre-screening and approaching

potential partners that can best contribute to achieving goals. Plans to redesign business.un.org should increase the number of monthly visitors and partnership proposals.

2. Promoting and improving monitoring and evaluation

31. Effective monitoring and evaluation processes are critical for tracking the input and contributions of each partner, meeting the reporting needs of both the United Nations and private sector and determining partnership impact. Over the past years, evaluation and impact assessment have received more attention within the United Nations system, also as a result of demand from private sector partners for more measurable indicators of success. The Office for the Coordination of Humanitarian Affairs, for example, is implementing a revised strategy that includes an annual review of its partnerships to critically assess which engagements to stop, maintain or scale up.

32. Nevertheless, formal evaluation of partnerships remains relatively low throughout the United Nations system, especially with regard to evaluating the impact of partnerships to draw out best practices, measure the contribution towards development goals and help to build the case for the value of partnerships within the Organization.

3. Improving knowledge-sharing

33. The annual meeting of United Nations system private sector focal points represents the key forum for knowledge-sharing among United Nations partnership practitioners. A United Nations system private sector focal points network has been formalized to foster more interaction on key issues between the annual meetings. Other knowledge-sharing mechanisms, such as the UN-Business Focal Point e-newsletter, webinars on partnership issues and informal exchange between practitioners, are valued for disseminating best practices and lessons learned throughout the United Nations system. A new online platform being developed will facilitate the sharing of best practices and enhance communication between private sector partnership practitioners.

34. There is, however, room for improvement, such as by creating incentives within agencies, funds and programmes to share partnership information; developing new tools, such as more case studies of successful examples, shared databases or additional webinars to discuss key issues; and continuing to place priority on hiring staff with private sector experience to better understand the motives and needs of business partners. Reducing the transaction costs of partnership approval and management would allow time for sharing best practices and improving overall knowledge management.

4. Improving internal and external communication

35. Communication and transparency regarding partnership activities within the United Nations and towards Member States is an important means of sharing knowledge and increasing support. Agencies, funds and programmes need to ensure that all relevant stakeholders are made aware not only of the value and successes of partnerships, but also the failures. Moreover, United Nations staff surveyed on business partnerships emphasized the need for clearer signals from Member States and the United Nations leadership that working with the private sector, in particular

with potentially higher-risk, higher-reward companies or sectors, is in the interest of the Organization.

36. External communication with the wider public is also important to provide partnership visibility, and a key incentive for private sector partners. Visibility remains a frequent point of contention, however, especially because the United Nations must ensure that integrity standards, such as non-endorsement and logo policies, are met. United Nations entities are encouraged to ensure that external communication and partnership visibility expectations of both partners are agreed upon in advance in the founding documents. In addition, the United Nations should also explore best practices and lessons learned in leveraging new forms of communication, such as social media, for reporting on partnerships, advocating United Nations goals and reaching critical constituencies (e.g. young people).

5. Improving coordination and creating synergies throughout the United Nations system

37. There has been a considerable increase in the number of partnerships between United Nations organizations and the private sector for achieving development goals. In some areas, this has created competition among agencies, funds and programmes for private sector partners instead of an environment of collaboration and coherence. This is particularly amplified by the reduction in budgets throughout the United Nations system and the resulting need for alternative funding sources. This competition can, for example, lead to an inefficient use of resources as efforts are being duplicated, jeopardize coordinated delivery at the country level through the "One United Nations" framework and lead to confusion among companies regarding how to work with the United Nations.

38. The United Nations should continue to improve efforts, in particular at the country level, for more coordinated and coherent measures that tackle particular problems. By orienting focus towards outcomes relating to the achievement of key goals, the Organization can better coordinate and optimize activities that collectively solve key issues, while also becoming a more attractive partner for the private sector.

III. United Nations integrity measures for private sector partnerships

39. In past reports to the General Assembly, a call has been made for creating and strengthening measures to safeguard the integrity and reputation of the United Nations as a whole, of individual agencies, funds and programmes, and of other stakeholders. Integrity measures are necessary in all instances when the United Nations cooperates with stakeholders, including the private sector. Integrity measures can be defined as policies and processes that safeguard the brand and credibility of the United Nations, such as through partnership guidelines, due diligence screening and monitoring measures.

A. Progress at the United Nations system level

40. The end of 2009 saw the release of the updated Guidelines on Cooperation between the United Nations and the Business Sector, which provide United Nations staff with practical advice for developing more effective private sector partnerships, while ensuring the integrity and independence of the United Nations. Since then, the vast majority of agencies, funds and programmes have used the guidelines as a baseline in designing their own integrity measures. The guidelines have also proven useful as a signal from the Executive Office of the Secretary-General on the priority of integrity.

Box 3
Shared due diligence service provider

As a result of demand throughout the United Nations for support in conducting more advanced due diligence screenings on potential business partners, the Foundation for the Global Compact entered into a service agreement with a firm specializing in environmental, social and governance research and analysis. The service provides participating United Nations entities with due diligence information on more than 2,500 listed and non-listed companies in developed markets, as well as more than 800 companies in emerging markets. To date, 11 United Nations entities use this resource.

B. Progress by agencies, funds and programmes

41. Within individual agencies, funds and programmes, integrity measures vary. Building on the minimum standards set out in the Secretary-General's guidelines, in an online survey of 24 United Nations agencies, funds and programmes conducted in 2013, 52 per cent of survey respondents reported having updated or introduced new policies or procedures for due diligence since 2011, which reflected their organizational mandate, operational capacity and strategic framework for partnerships. In the same survey, 83 per cent reported that their respective agency, fund or programme conducted due diligence research itself, while 61 per cent stressed that they also used commercial due diligence service providers. Others cooperated with civil society organizations, engaged informally with other United Nations staff or used a detailed questionnaire to assist with due diligence procedures.

42. Moreover, 74 per cent of survey respondents indicated that their due diligence was not a one-size-fits-all process, but rather a weighted decision on a case-by-case basis depending on the potential partner, the partnership model and partnership goals; and 76 per cent of respondents indicated that their organizational due diligence processes were centralized to ensure coherence. In so-called "grey areas", such as sensitive industry sectors, instances where either allegations of violations of United Nations standards existed, or the potential partner had a negative public reputation, about 75 per cent of entities either conducted additional due diligence or employed additional risk mitigation strategies, such as input from senior

management and legal departments, adding specific protection measures in the partnership agreement or using the partnership to tackle the issue.

43. More than half of the survey respondents indicated that their respective agency, fund or programme monitored the potential risks to the integrity of the United Nations or the respective organization throughout the partnership cycle. They did so by continuously monitoring the commitments and deliverables as set out in partnership legal and governing agreements and by screening existing partners annually. Once risk was determined, its mitigation was handled inconsistently, and must be strengthened to protect the Organization.

C. Progress in the Global Compact

44. The Global Compact conducts an integrity assessment of potential new signatories, which includes cross-checking the United Nations procurement blacklist and screening companies through two separate due diligence service providers. In addition, the Global Compact Local Networks implement due diligence analysis of potential new participants based in their respective countries. Once accepted, participants are required to submit an annual communication on progress detailing their activities in implementing the 10 principles. Participant companies who do not submit this annual report are put on probation. If they remain in non-compliance, they are removed as participants of the initiative.

D. Overcoming challenges for ensuring integrity throughout the United Nations system

1. Ensuring common integrity standards while allowing for differentiation

45. There is no one-size-fits-all process for protecting the integrity of the United Nations, its bodies and its stakeholders. Different types of engagements require different integrity measures, proportional to their overall risk. For example, some private sector partnerships may use due diligence to reject partners with a particular violation of standards, while others may use it to determine to what extent a partnership might be able to address the violation.

46. While the Secretary-General's Guidelines on Cooperation between the United Nations and the Business Sector provide a baseline for common integrity principles, each agency, fund and programme should design a coherent due diligence framework that reflects the unique characteristics of their organizational mandate, operational capacity, partnership strategy and risk tolerance. Additional criteria, such as the alignment of each partners' values, should also be considered. For example, the Guiding Principles on Business and Human Rights, endorsed by the United Nations Human Rights Council in 2011, could be used as a tool for screening potential partners or for enhancing standards among current business partners with regard to respect for human rights.

47. Survey respondents and interviewees report that, while many have developed new partnership guidelines and more robust due diligence frameworks, more guidance and coherence is needed with regard to grey areas, in particular, how or whether to partner with companies in certain industry sectors.

2. Shifting from a risk-averse to a risk-managed approach

48. While partnerships with the private sector can help to achieve the mandate of the United Nations and its agencies, funds and programmes, most include some risk. These potential benefits and risks have to be assessed to allow for decisions on whether particular partnership options should be explored. While some United Nations entities, such as UNICEF, have adopted a more risk-managed approach, most agencies, funds and programmes continue to struggle to achieve the necessary internal buy-in, as well as the strategic framework and capacity to implement such an approach.

49. The United Nations should recognize that non-engagement results in untapped potential, given that partnerships with the private sector can improve the way in which the Organization fulfils its mandates and affect the behaviour of potential business partners. However, more guidance is necessary on how to overcome risk-averse patterns without putting the integrity of the Organization at risk.

3. Ensuring capacity, skills and objectivity

50. Many agencies, funds and programmes report not having sufficient resources to conduct due diligence and ensure integrity. In many cases, due diligence is conducted by private sector partnership or fundraising managers, which, in addition to exacerbating time constraints, can create a conflict of interest. United Nations entities should have dedicated and trained staff in order to ensure the necessary skills and objectivity when conducting due diligence.

51. In addition, the Organization should consider developing more effective knowledge management systems to document partnership experiences with, and due diligence analyses of, potential partners in order to reduce transaction costs and risks in the medium to long term. For example, the World Food Programme involves its legal department in the due diligence process and trains staff to use customer relationship management software. This eliminates conflict of interest by spreading the responsibility for analysing risk. The Office of the United Nations High Commissioner for Human Rights encourages its partners to address issues uncovered during the due diligence process.

4. Promoting transparency

52. Transparency is an important principle for ensuring that partnership activities, risks, costs and benefits are understood and accepted, and that commitments are honoured. If a proposed partner or partnership includes greater risk, then being transparent about the risk and the process for managing it, as well as being clear about the potential reward of engagement, can ensure that the integrity of the United Nations is maintained. The United Nations should therefore improve the transparency of its partnership activities through more effective internal and external communication with key stakeholders and the general public by disclosing partnership successes and failures. This would also serve the important role of increasing fairness by opening access to partnership opportunities to companies from all regions.

IV. Global Compact Local Networks

53. Global Compact Local Networks are business-led networks of companies and other stakeholders that have committed themselves to advancing the Global Compact's universal principles within their country and encouraging business action in support of United Nations goals. Found in 101 countries, and composed of local and foreign companies and the full range of non-business stakeholders, these networks help to advance corporate sustainability at the local level through learning exchanges, partnerships and dialogues that tackle issues specific to the local context, language and culture. The Local Networks provide an avenue for diffusing United Nations values and principles and facilitating partnerships with businesses on a broad scale.

A. Progress of Global Compact Local Networks

54. The Global Compact and the Local Networks have made considerable progress, in particular, in their growth and expansion, the broadening of the role of Local Networks, refining the management of the networks and in sharing best practices.

1. Growth and expansion of the Local Networks

55. Since the official launch of the first Global Compact Local Network in 2001, the total number of Local Networks has consistently increased. As at January 2013, 101 Networks were in existence: 38 in Europe, 19 in the Americas, 18 in Asia/Oceania, 17 in Africa and 9 in the Middle East. Through their country-level presence worldwide, Local Networks have played a crucial role in making the Global Compact truly global. Most Local Networks have managed to attract a broad set of stakeholders, including companies, business associations, civil society organizations, research institutions, local offices of United Nations entities and development agencies.

2. Evolution in the role of Local Networks

56. The key function of Local Networks is to conduct outreach activities to recruit new business participants; raise awareness of the Global Compact's 10 principles; facilitate dialogue, learning and knowledge-sharing among their participants; and conduct activities aimed at identifying, showcasing and spreading best practices corporate sustainability and action in support of broader United Nations goals.

Box 4

Spreading corporate responsibility and action in support of United Nations goals

China

In 2013, the Global Compact Network in China organized the China Summit on Caring for Climate to raise awareness of climate change, disseminate best practices and enable businesses from China and abroad to tackle the issue together through innovation and cooperation.

Kenya

The Global Compact Network in Kenya organized several events in 2012 to advance human rights and ethical conduct. One event introduced participants to the Global Compact Human Rights Self Assessment Tool and to international trends in managing human rights risks.

Republic of Korea

The Global Compact Network in the Republic of Korea is advancing the "5W" programme to address global water challenges by installing rainwater harvesting systems, promoting village forest conservation and restoration, and reducing illiteracy rates through improved access to education.

Turkey

In 2012, the Local Network in Turkey held its third "Equality Means Business" forum, which included a press conference attended by all signatories to the Women's Empowerment Principles. A guidance booklet for local businesses was also introduced.

United States of America

The Global Compact Network in the United States has convened several events, including on practical steps to increase women's participation on corporate boards and executive committees, and on advancing sustainability in the supply chain.

57. The role of Local Networks has evolved over the years, with them taking on new functions. Many have begun to contribute to national policy dialogues and to explore opportunities for collective action, in particular at the regional level. They also help to maintain the integrity of the Global Compact by screening new signatories and assisting companies in meeting the initiative's integrity measures.

Box 5

Role of Local Networks in creating national strategies for corporate responsibility

In Germany and Ukraine, Global Compact Local Networks have contributed to driving national corporate responsibility strategies by setting up policy dialogues or multi-stakeholder processes on related national policies, formulating recommendations for a detailed action plan and implementing actions aimed at promoting corporate responsibility. In Germany, the Government established a national corporate social responsibility forum in 2009, aimed at shaping the concept and promoting corporate responsibility practices, especially among small and medium-sized companies. An action plan was developed and adopted by

the Government in 2010. The Forum now acts as a supervisory board, while supporting the Government in implementing the action plan. In Ukraine, steps were taken to create a draft national corporate responsibility strategy and an intergovernmental working group has been tasked with developing a national implementation plan.

58. Moreover, Local Networks are beginning to capitalize on their unique presence at the country level. They bring global discussions to the national level, in particular with regard to the development of a post-2015 development framework, and explore their role as facilitators of closer United Nations-business collaboration. A growing number have a fully functional capability to convene, organize and implement massive business-led solutions to sustainability challenges. Already, some 50 country networks are undertaking projects and initiatives in such areas as water access, climate change, women's empowerment, anti-corruption and business for peace. For example, since 2012, Local Networks in Bangladesh, Belgium, Costa Rica, Ghana, India, the Netherlands, Nigeria, the Nordic region and Serbia have held events to launch the Children's Rights and Business Principles.

3. Evolution of Local Network management

59. The management of Local Networks occurs through administration at the country level and leadership from the Global Compact Office at the global level. Accordingly, a Local Network is free to choose the governance structure that is most suitable, subject to overall approval by the Global Compact Office.

60. To maintain standards of integrity and accountability, the Global Compact has introduced network categories. Specifically, to become a "formal" network, which is eligible to use the Global Compact Network logo, an annual memorandum of understanding must be signed with the Global Compact Office. In the memorandum, Local Networks are asked to regularly organize activities, elect network representatives, take art in the annual Local Networks Forum and to adopt the integrity measures of the Office. To date, 57 of 101 Local Networks have signed a memorandum, with the remaining 44 not yet meeting all requirements. A number of new elements, including full financial disclosure and measures to enhance accountability, will be introduced to the memorandum of understanding beginning in 2015.

61. The Global Compact Office organizes an annual Local Networks forum, which brings together representatives of Local Networks to share knowledge and to receive an update on the Global Compact in general. The Forum has served as a driver for progress over the years. In 2004, Local Networks agreed upon minimum governance requirements for themselves. In 2005, the Local Networks and the Forum were recognized as two of seven elements of the Global Compact's governance structure. In 2008, Local Networks agreed to sign an annual memorandum of understanding with the Global Compact Office to authorize the use of a network logo. In 2013, the Forum was held alongside the meeting of United Nations private sector focal points, reflecting the increasing importance of Local Networks for United Nations-business collaboration. In addition, 2013 saw the establishment of an advisory group, which will serve as a conduit for Local Networks to raise ideas systematically and to provide guidance to the Office.

B. Overcoming key challenges of Local Networks

62. As the Local Networks continue to grow and gain relevance at the country level, a number of challenges arise and need to be addressed in order to better equip Local Networks for advancing the Global Compact locally and acting as facilitators of United Nations-business collaboration worldwide.

1. Promoting diversified participation and reach

63. Local Networks should be established and strengthened in all regions worldwide. According to the "United Nations Global Compact Local Network Report 2012", currently, eight of the largest networks — representing 38 per cent of all networks — are located in Europe. Efforts are therefore focused on Africa, the Middle East and Eastern Europe, which do not have networks that rank among the 20 largest.

64. The more companies that are engaged in a Local Network, the higher its potential impact on the business community within its country. While some Local Networks have been successful in this regard and attracted hundreds of business participants, others have attracted only a few. The "United Nations Global Compact Local Network Report 2012" states that, in Africa and the Middle East, business participation in the Global Compact fell by 17 per cent in 2012. It is therefore a priority to support small networks in recruiting new participants in these regions.

2. Embedding the Global Compact's principles and partnerships locally

65. Through various activities, Local Networks embed the principles of the Global Compact into strategies, day-to-day operations and the organizational culture of participating companies. By choosing priority areas and establishing working groups that deal with a single topic over a longer period, many Local Networks have successfully fostered more profound debates and, in some cases, inter-network collaboration.

66. Owing to their multi-stakeholder composition, Local Networks are suitable platforms for policy dialogues regarding the development of policies that target the business community, particular sectors and society as a whole and relate to the Global Compact's principles and United Nations goals. Local Networks are encouraged to identify where they can add value to national policy dialogues themselves.

Box 6

Efforts to combat corruption in Brazil, Egypt, India, Nigeria and South Africa

In December 2010, the Global Compact launched anti-corruption projects in Local Networks in Brazil, Egypt, India, Nigeria and South Africa. The projects implement high-impact collective action to combat corruption. By facilitating a continuing dialogue between the private and public sectors, the projects introduced activities that address anti-corruption issues facing the business community, from procurement policies and guidance for small and medium-sized enterprises, to sector initiatives aimed at increasing transparency in sporting events.

3. Stimulating greater activity and impact

67. The growth in the number and size of Local Networks has been a positive development. Some networks struggle to recruit members and scale up their activities, however. To provide an enabling environment for expanding membership and activities, networks that have not done so could strengthen their governance structures by, for example, constructing steering committees, secretariats and possibly legal entities. Aside from ensuring sustainability and integrity, such structures allow for greater involvement of participants and strengthen decision-making mechanisms. In addition to companies, steering committees should involve civil society actors and other stakeholders.

68. Local Networks also have the autonomy to design their own funding model. While some have been successful in doing so, others struggle to ensure the basic funds required for running the network. To minimize financial constraints, Local Networks are advised to combine specific funding, for example, sponsorship for conferences and structural funding, such as membership fees. Beginning in 2013, the funding status of many Local Networks may be positively affected as the Global Compact works to implement a new fundraising model in collaboration with them.

4. Facilitating knowledge-sharing between Local Networks

69. Interaction between Local Networks is increasing, both bilaterally and at the regional level. Regional gatherings are usually organized by networks with similar goals or cultural contexts to share knowledge and facilitate regional collaboration around particular thematic issues. While these trends of closer collaboration are promising and signal shared ownership, differences between regions exist. The Global Compact therefore provides an incentive for collaboration between networks, for example, by catalysing links between Local Networks with the same thematic priorities. For example, in 2012, representatives of the Global Compact Local Network in Mexico and a participant company visited the Chilean Local Network to learn about its management model and to share experiences. The visit promoted closer communication between the networks and synergies on development efforts and strategies.

70. The online Global Compact knowledge-sharing system, updated in March 2013, helps Local Networks in sharing and gaining access to information regarding the management and activities of all networks. Some 80 per cent of Local Networks have already reported activities within the system with varying levels of detail. Additional efforts are needed to extract best practice examples from the system.

5. Facilitating partnerships between the United Nations and the private sector

71. As an interface between local companies and the United Nations, Local Networks are well positioned to act as facilitators of closer United Nations-business collaboration. Some partnership projects have been implemented successfully by Local Networks. In the light of the growing demand for cross-sector cooperation, Local Networks could considerably increase their engagement in this field by advertising the benefits of partnering and exploring opportunities for collaboration in their region. As several United Nations agencies, funds and programmes report a lack of skills and capacity to implement partnerships at the local level, the United Nations could also explore how Local Networks can support the local application of global partnerships and how additional resources could be raised to fulfil this task.

72. The Global Compact is advancing partnership facilitation through Local Networks, such as by organizing training programmes for network representatives on partnering issues. To further build capacity and strengthen the ties between Local Networks and the United Nations, more training will follow at the regional level. Subsequent annual forums may be held, together with meetings of United Nations system private sector focal points.

V. Conclusion

73. **With a renewed emphasis on partnership resulting from the continuing discussions around a post-2015 development framework, the United Nations is uniquely positioned to act as a bridge-builder to various sectors, in particular the private sector, and to challenge them to participate in the achievement of development goals. Progress at the system level, in addition to within agencies, funds and programmes, has further equipped the United Nations to play this critical role. In particular, the United Nations continues to build high-level support for more effective collaboration, as evidenced by the participation and resulting commitments undertaken at the Corporate Sustainability Forum organized in Rio de Janeiro in 2012.**

74. **The United Nations must continue to push forward with new, improved and diversified forms of collaboration with the private sector to achieve a lasting impact and promote United Nations goals. This includes taking advantage of impactful partnership opportunities that arise as a result of new trends, as well as the evolving role and expanding importance of Global Compact Local Networks at the country level. By continuing to shift from a risk-averse to a more risk-managed approach, the United Nations is successfully positioning itself to more strategically leverage its normative strength and reputation towards influencing business behaviour, while respecting high standards of integrity.**

75. **Taking advantage of progress made and strengthening the effectiveness of the business contribution to United Nations goals requires that collaboration be carried out on a greater scale, making the transition from incremental progress to transformative impacts. Doing so will require aligning and scaling up corporate efforts within a global architecture designed to drive business action and partnerships on a massive scale, as recently launched by the Global Compact, and integrating this with multi-stakeholder partnership efforts involving Governments, civil society, philanthropies and academic and scientific organizations, as facilitated by the proposal of the Secretary-General for a partnership facility. This will require strengthening Global Compact Local Networks and global issues platforms, increasing the number of companies globally committed to embedding universal principles into their operations and ensuring that corporate commitments to action are transparent and accountable.**

76. **Global Compact Local Networks should stimulate greater activities locally, promote diversified participation and aspire to greater embedding of the 10 principles locally, balance global leadership with local ownership and facilitate knowledge-sharing and new partnerships between the United Nations and the private sector.**

77. **The United Nations must also continue its efforts to overcome operational challenges that hinder more effective United Nations-business partnerships. Moreover, as the United Nations pushes forward with more innovative types of partnerships, it must ensure a balance of strict standards of integrity and flexibility among agencies, funds and programmes. This includes improving the capacity of United Nations staff to conduct due diligence of potential partners and to promote partnership transparency and accountability.**

78. **To take full advantage of current opportunities to engage with the private sector more effectively, it is critical that the United Nations apply best practices and lessons learned throughout the system. That includes the need to address the recommendations submitted herein.**